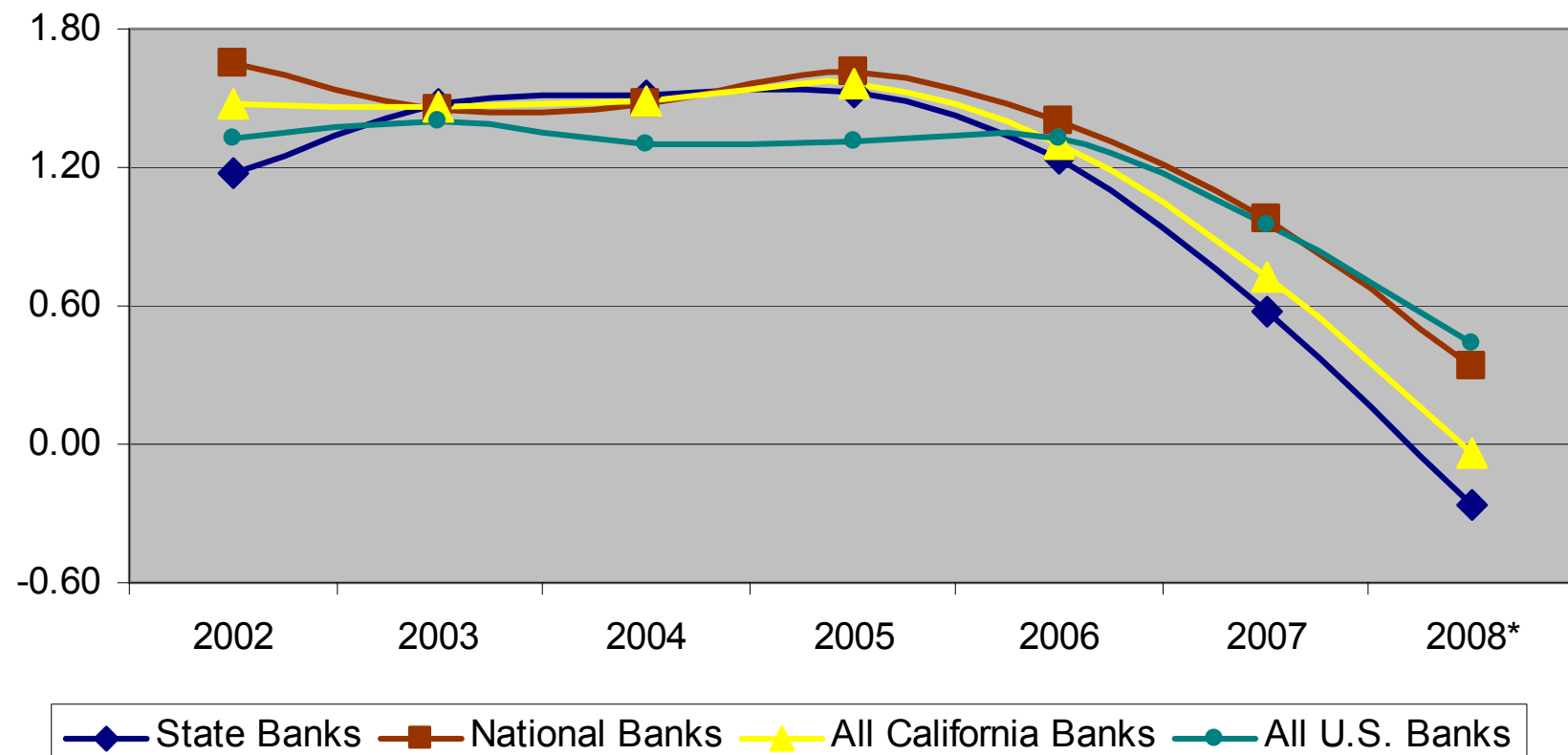


# State of the Banking Industry

# Return on Assets



\*Annualized year-to-date through Q3

# Return on Assets by Quintile\*

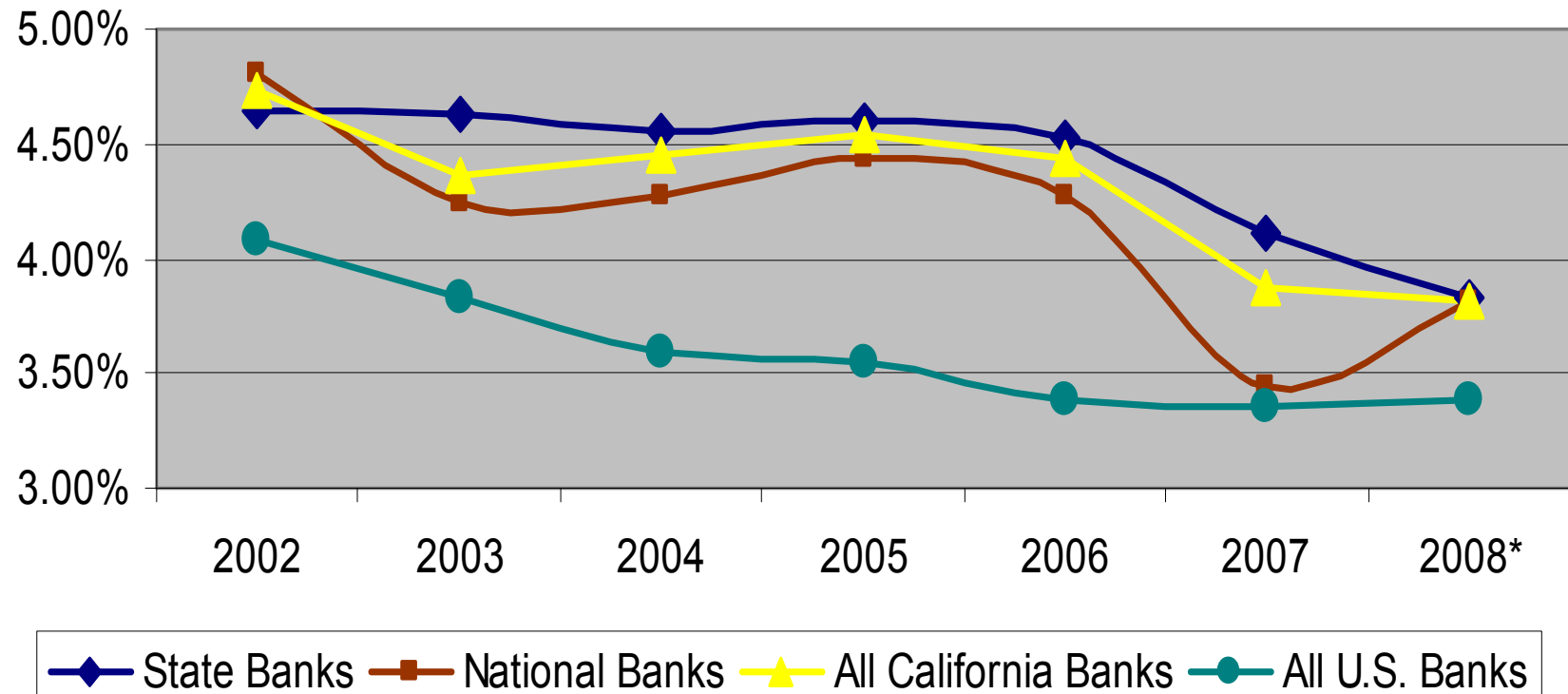
## State Chartered Commercial and Industrial Banks

**Annualized year-to-date through September 30, 2008**

Asset Size	Over 3 years of operation				< 3 yrs ops.	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More	All asset sizes	
Number of Banks	21	91	43	21	52	228
First Quintile	0.4	1.4	1.2	1.2	-0.1	1.2
Second Quintile	0.2	0.7	0.8	0.9	-1.1	0.6
Third Quintile	-0.2	0.3	0.4	0.7	-2.2	0.1
Fourth Quintile	-1.5	0.0	-0.1	0.1	-3.2	-0.9
Fifth Quintile	-3.1	-2.4	-1.4	-6.6	-6.7	-4.7
Total	-0.7	0.1	-0.3	-0.2	-0.7	-0.2

\* Ratio is annualized. Quintiles of equal sizes are created by dropping off first the highest then the lowest ratio in each group until the number of institutions is divisible by 5.

# Net Interest Margin



\*Annualized year-to-date through Q3

# Net Interest Margin by Quintile\*

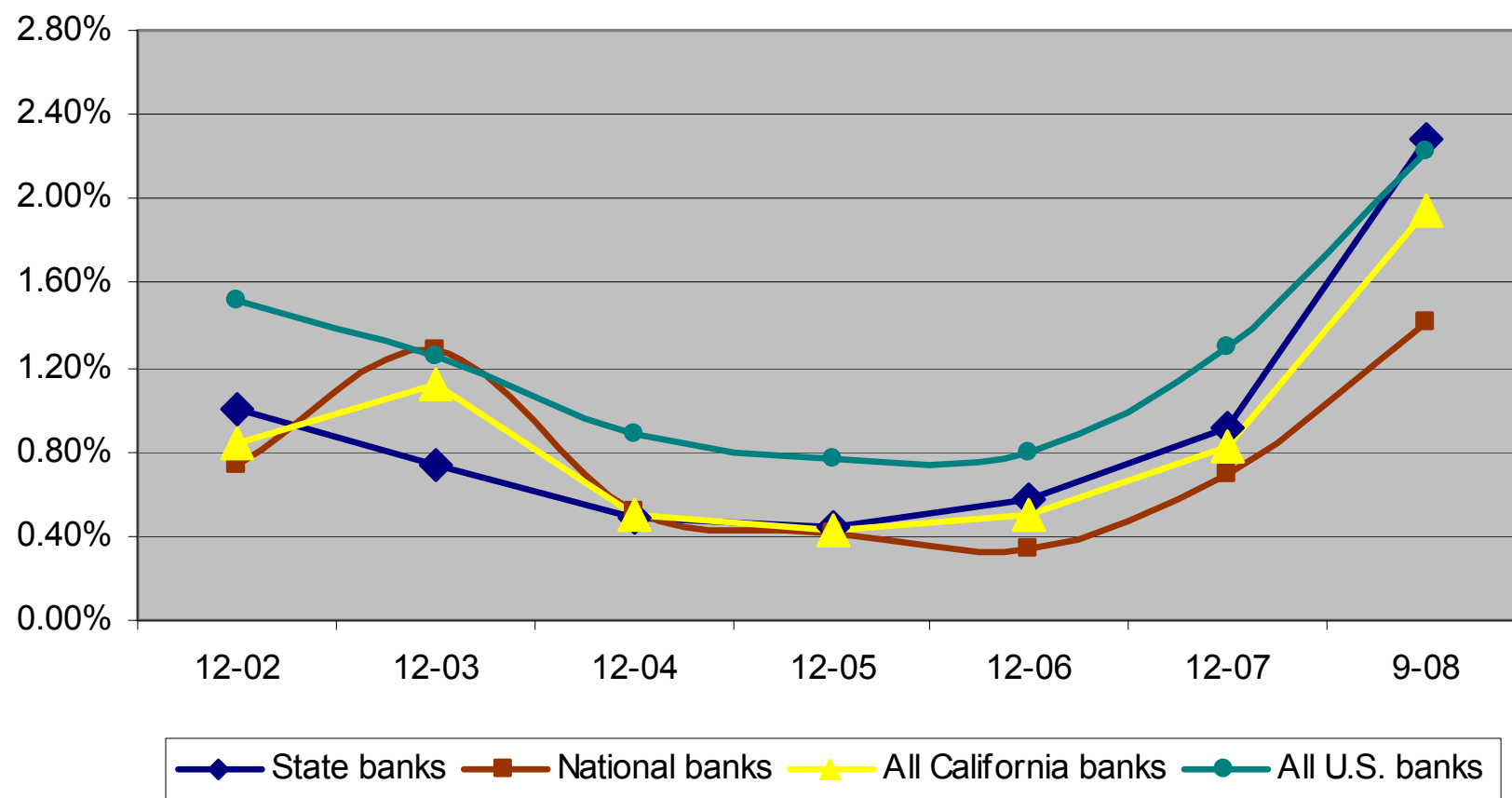
## State Chartered Commercial and Industrial Banks

**Annualized year-to-date through September 30, 2008**

Asset Size	Over 3 years of operation				< 3 yrs ops.	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More	All asset sizes	
Number of Banks	21	91	43	21	52	228
First Quintile	5.2	4.9	4.6	4.4	4.0	4.9
Second Quintile	4.4	4.2	4.1	3.9	3.5	4.1
Third Quintile	3.9	3.9	3.7	3.6	3.2	3.7
Fourth Quintile	3.4	3.5	3.3	3.0	2.8	3.2
Fifth Quintile	2.0	2.7	2.7	2.6	1.8	2.4
Total	4.3	3.8	4.0	3.2	1.7	3.4

\* Ratio is annualized. Quintiles of equal sizes are created by dropping off first the highest then the lowest ratio in each group until the number of institutions is divisible by 5.

# Noncurrent Loans and Leases to Total Loans and Leases



# Total Past Due Loans & Leases / Total Loans & Leases by Quintile\*

## State Chartered Commercial and Industrial Banks

**As of September 30, 2008**

Asset Size	Over 3 years of operation				< 3 yrs ops.	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More	All asset sizes	
Number of Banks	21	91	43	21	52	228
First Quintile	0.4	0.2	0.7	0.9	0.0	0.0
Second Quintile	1.7	1.3	2.0	1.7	0.0	0.9
Third Quintile	2.3	2.5	2.9	2.2	0.3	2.1
Fourth Quintile	4.1	4.1	4.9	3.3	1.8	3.8
Fifth Quintile	11.3	7.7	11.3	8.4	6.3	8.6
Total	4.0	3.0	4.7	3.0	5.1	3.4

\* Quintiles of equal sizes are created by dropping off first the highest then the lowest ratio in each group until the number of institutions is divisible by 5.

# Crystal Ratio by Quintile\*

**$[(\text{Past Due Loans} + \text{Other Real Estat Owned})/(\text{Capital} + \text{ALLL})]$**

## State Chartered Commercial and Industrial Banks

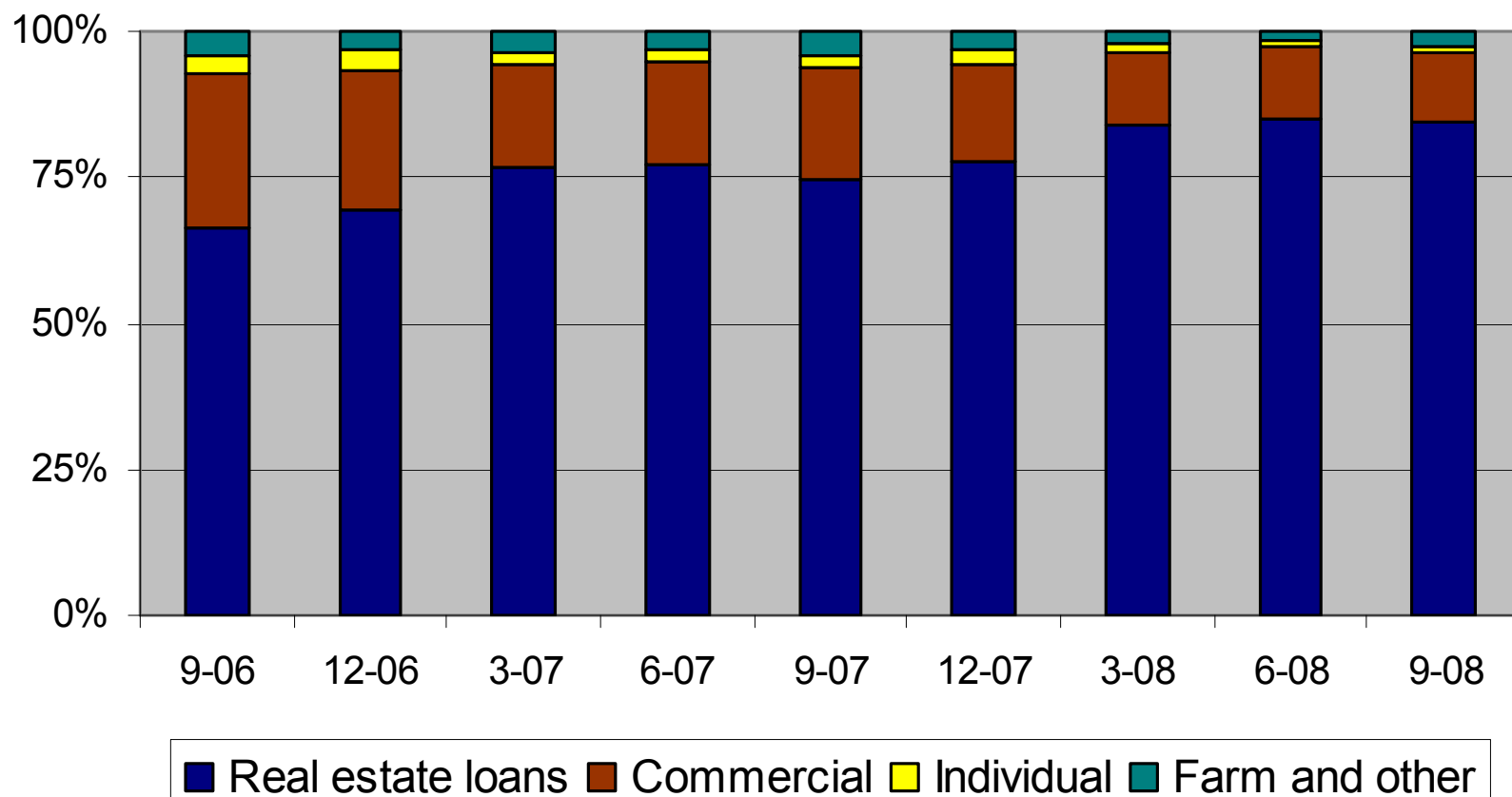
**As of September 30, 2008**

Asset Size	Over 3 years of operation				< 3 yrs ops.	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More	All asset sizes	
Number of Banks	21	91	43	21 #	52	228
First Quintile	2.1	1.4	5.8	6.0	0.0	0.2
Second Quintile	8.7	10.2	15.2	8.9	0.0	6.0
Third Quintile	13.5	18.8	25.6	13.9	0.9	14.8
Fourth Quintile	25.8	31.4	41.4	19.6	9.3	27.2
Fifth Quintile	66.0	60.8	99.2	58.7	31.6	65.4
Total	19.8	21.1	37.1	11.5	21.5	17.3

\* Quintiles of equal sizes are created by dropping off first the highest then the lowest ratio in each group until the number of institutions is divisible by 5.

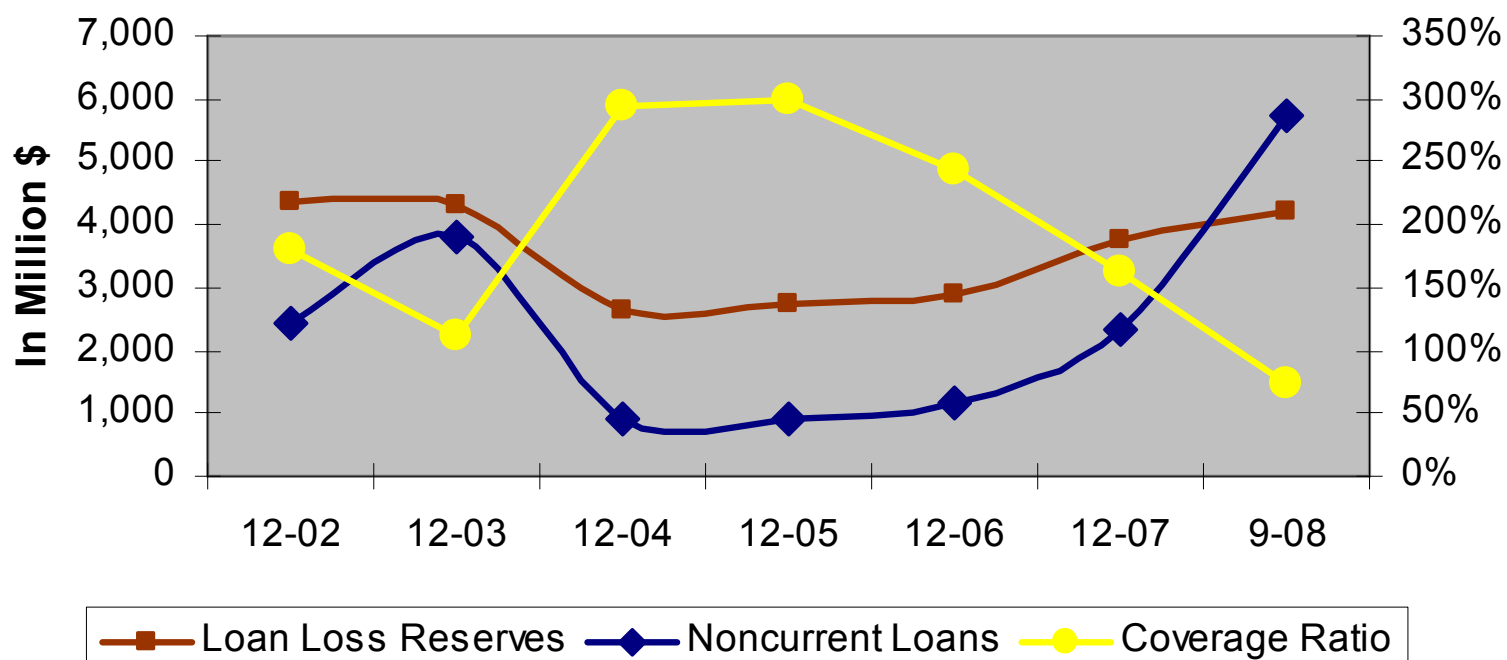


# Noncurrent Loans by Type – All California Banks



# Loan Loss Reserves vs. Noncurrent Loans and Leases

**Growth in Noncurrent Loans Outpaces Reserve Growth - All California Banks**



# Reserves for Loans/Noncurrent Loans & Leases by Quintile\*

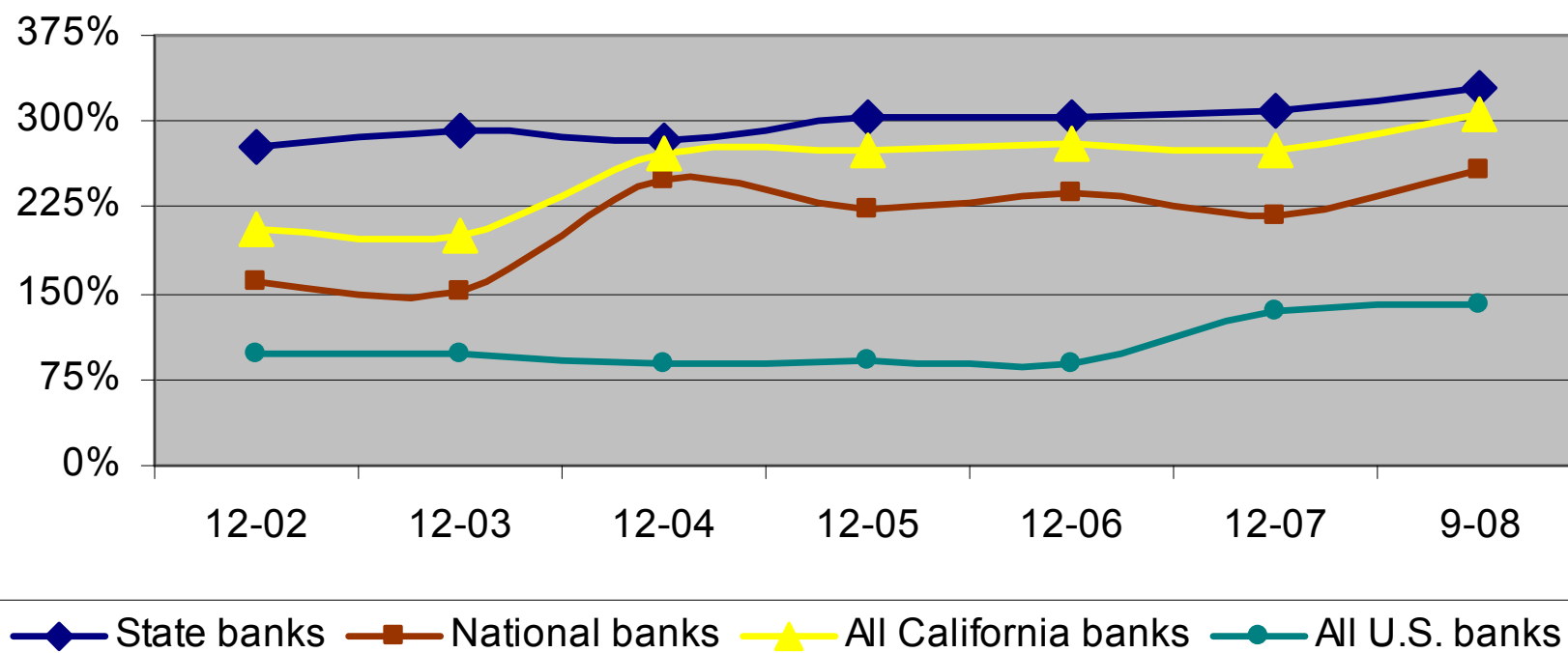
## State Chartered Commercial and Industrial Banks

As of September 30, 2008

Asset Size	Over 3 years of operation				< 3 yrs ops.	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More	All asset sizes	
Number of Banks	21	91	43	21	52	228
First Quintile	∞	∞	1058.7	278.8	∞	∞
Second Quintile	828.0	322.6	154.9	131.4	∞	959.4
Third Quintile	146.5	122.0	77.2	93.2	∞	141.7
Fourth Quintile	63.1	67.5	47.6	73.3	318.3	70.2
Fifth Quintile	40.1	36.2	26.0	36.6	46.8	33.7
Total	107.7	81.3	61.6	76.7	24.2	70.4

\* Quintiles of equal sizes are created by dropping off first the highest then the lowest ratio in each group until the number of institutions is divisible by 5.

# Commercial Real Estate Loans to Total Equity Capital



# Commercial Real Estate Loans / Tier 1 Capital by Quintile\*

## State Chartered Commercial and Industrial Banks

As of September 30, 2008

Asset Size	Over 3 years of operation				< 3 yrs ops.	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More	All asset sizes	
Number of Banks	21	91	43	21	52	228
First Quintile	57.2	133.3	190.3	203.8	53.9	71.7
Second Quintile	191.0	263.0	275.5	351.1	91.5	188.7
Third Quintile	270.4	354.6	367.7	401.9	125.9	297.5
Fourth Quintile	318.1	441.4	487.3	527.7	156.9	404.7
Fifth Quintile	455.8	682.5	713.0	693.7	300.0	628.9
Total	224.4	354.4	346.1	313.9	140.5	310.7

\* Quintiles of equal sizes are created by dropping off first the highest then the lowest ratio in each group until the number of institutions is divisible by 5.

# Construction and Land Development Loans / Tier 1 Capital by Quintile\*

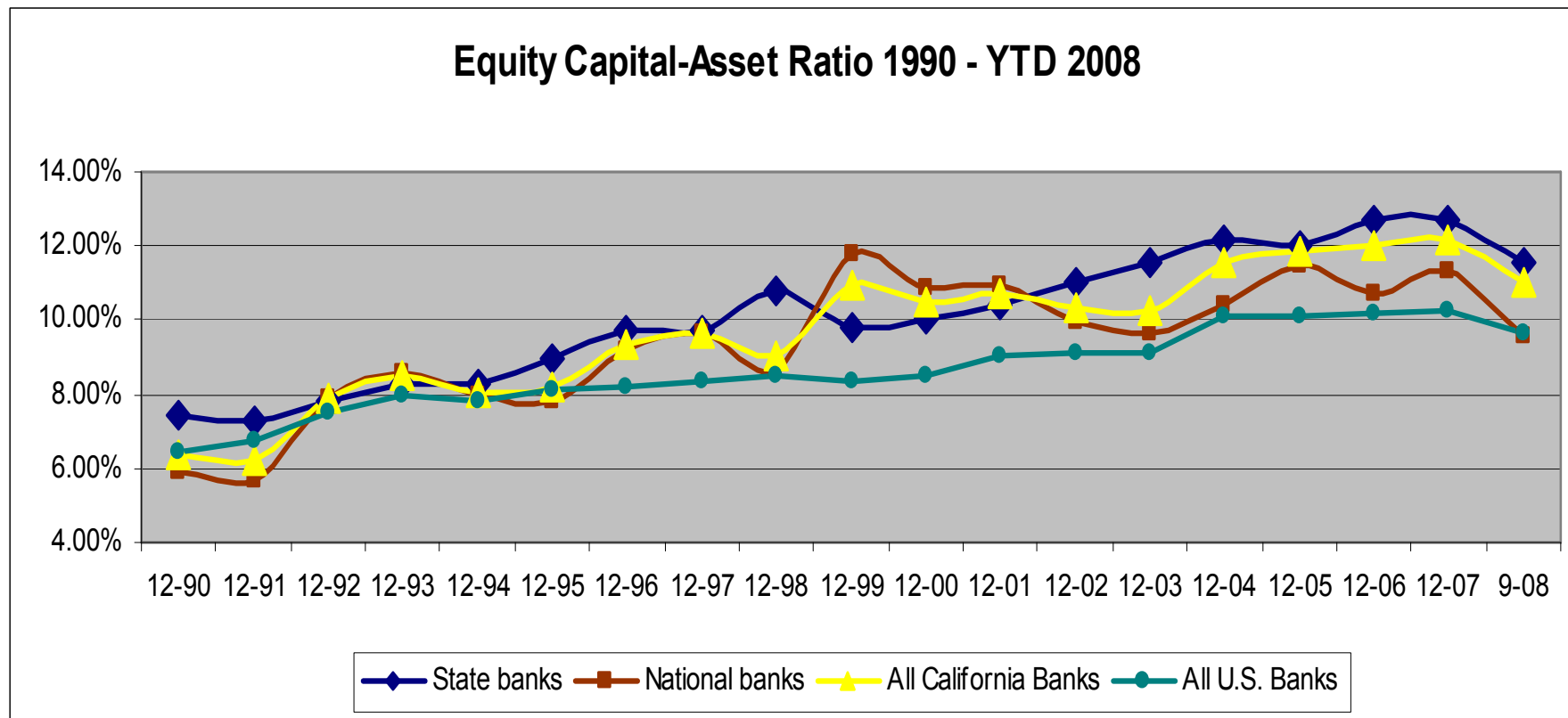
## State Chartered Commercial and Industrial Banks

**As of September 30, 2008**

Asset Size	Over 3 years of operation				< 3 yrs ops.	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More	All asset sizes	
Number of Banks	21	91	43	21	52	228
First Quintile	14.9	10.5	25.9	20.6	4.6	8.9
Second Quintile	52.3	58.5	71.3	49.7	24.3	43.7
Third Quintile	84.3	101.9	132.1	84.0	40.4	85.6
Fourth Quintile	131.1	146.6	183.2	151.6	82.7	137.0
Fifth Quintile	191.6	233.9	328.0	262.6	139.0	241.0
Total	84.3	102.4	133.4	101.4	133.1	109.7

\* Quintiles of equal sizes are created by dropping off first the highest then the lowest ratio in each group until the number of institutions is divisible by 5.

# Capital Adequacy



# Equity Capital / Assets by Quintile\*

## State Chartered Commercial and Industrial Banks

**As of September 30, 2008**

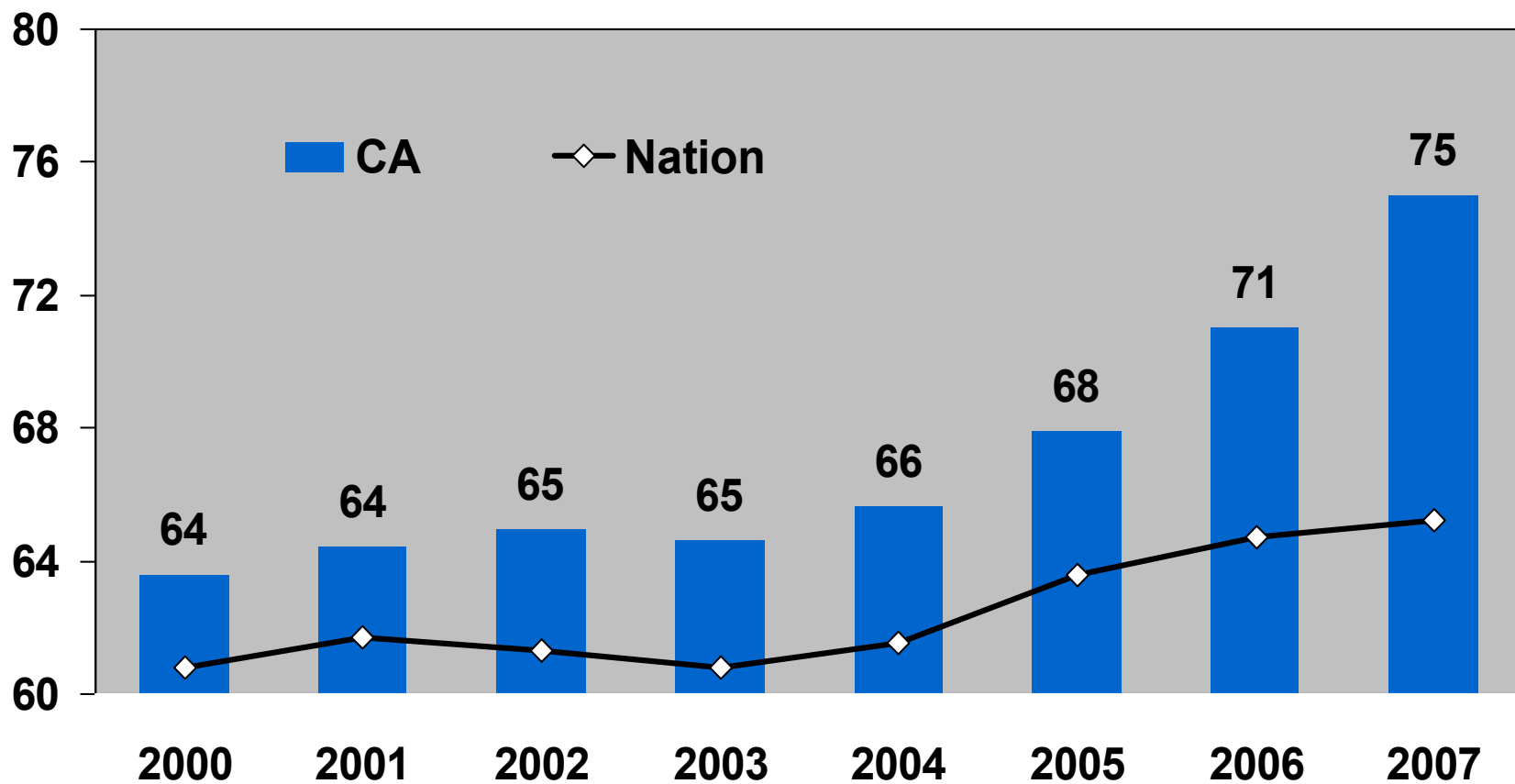
Asset Size	Over 3 years of operation				< 3 yrs ops.	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More	All asset sizes	
Number of Banks	21	91	43	21	52	228
First Quintile	20.1	16.9	12.2	12.2	44.8	27.5
Second Quintile	14.6	12.8	10.2	10.4	26.9	14.5
Third Quintile	13.7	10.7	9.4	10.0	20.6	11.6
Fourth Quintile	12.6	9.7	8.4	9.3	16.2	9.9
Fifth Quintile	11.2	8.5	6.8	8.3	12.2	8.2
Total	15.6	12.5	9.9	11.5	17.4	11.6

\* Quintiles of equal sizes are created by dropping off first the highest then the lowest ratio in each group until the number of institutions is divisible by 5.



# Liquidity & Funding

Banks Pushed Up Loan-to-Asset Ratios



# Loans & Leases / Assets by Quintile\*

## State Chartered Commercial and Industrial Banks

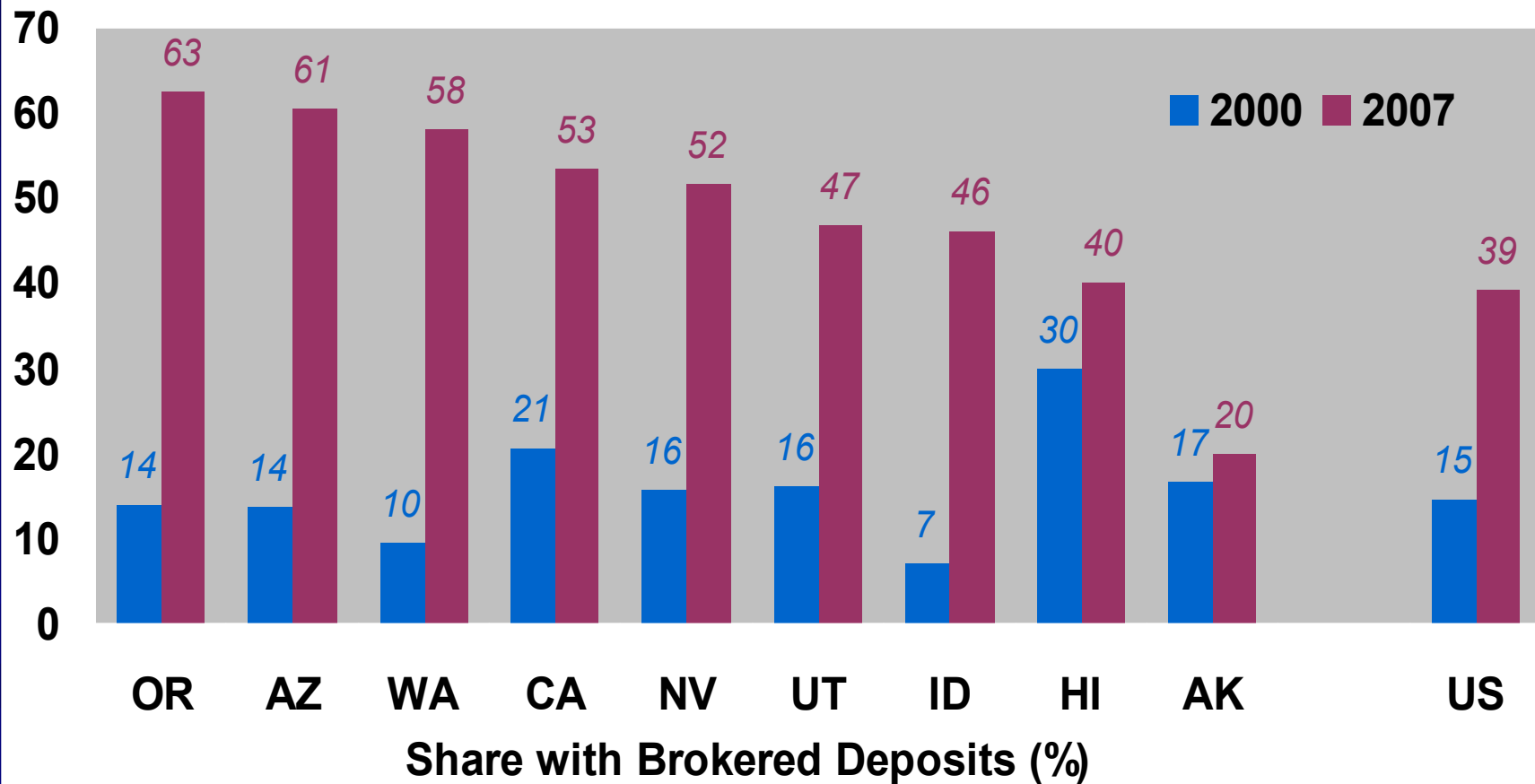
**As of September 30, 2008**

Asset Size	Over 3 years of operation				< 3 yrs ops.	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More	All asset sizes	
Number of Banks	21	91	43	21	52	228
First Quintile	63.0	57.4	62.5	59.3	41.7	52.1
Second Quintile	79.6	75.6	71.6	69.2	60.6	69.3
Third Quintile	82.8	80.7	77.8	73.5	68.6	77.8
Fourth Quintile	86.2	84.2	83.0	80.0	76.2	83.0
Fifth Quintile	92.9	89.0	87.7	90.5	84.8	88.8
Total	79.4	75.8	76.1	72.4	66.2	73.2

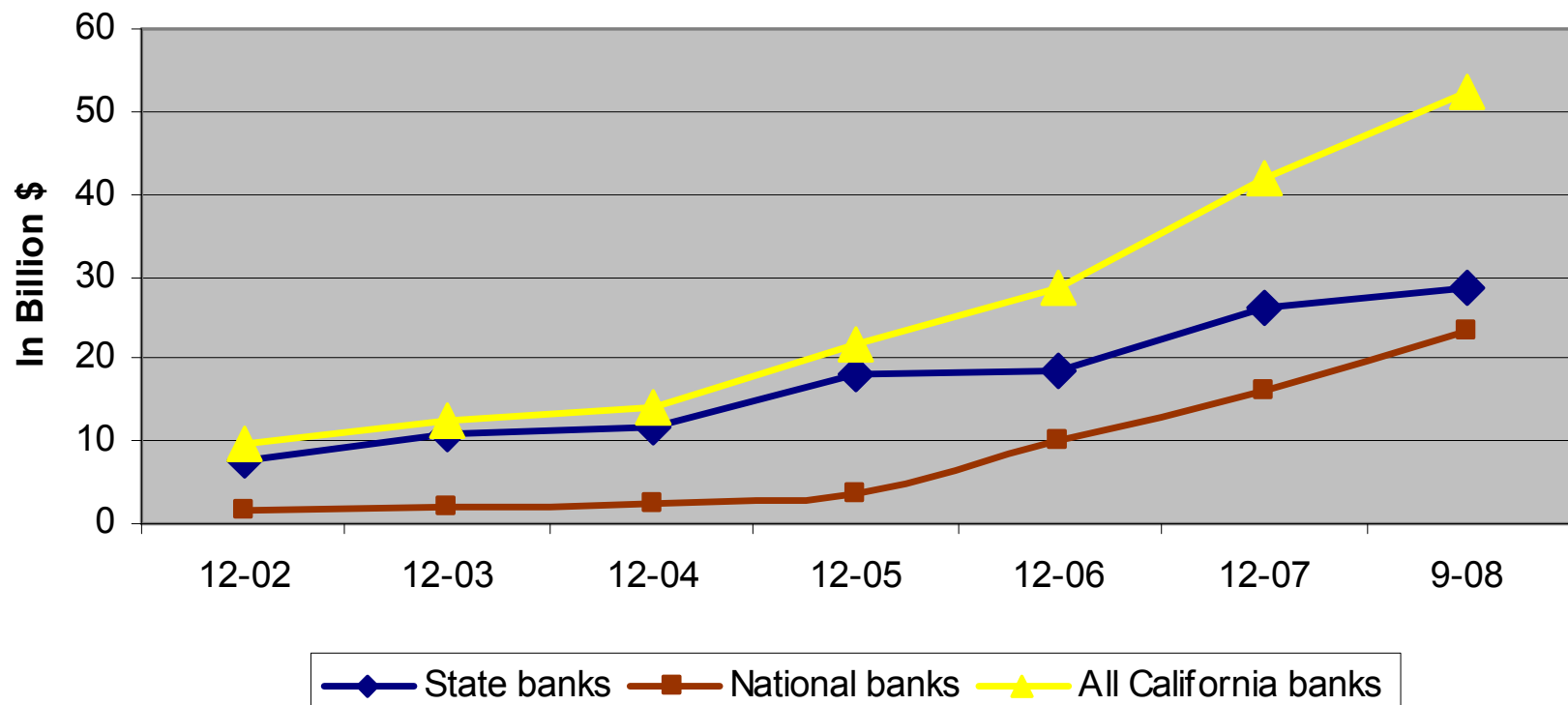
\* Quintiles of equal sizes are created by dropping off first the highest then the lowest ratio in each group until the number of institutions is divisible by 5.

# Liquidity & Funding

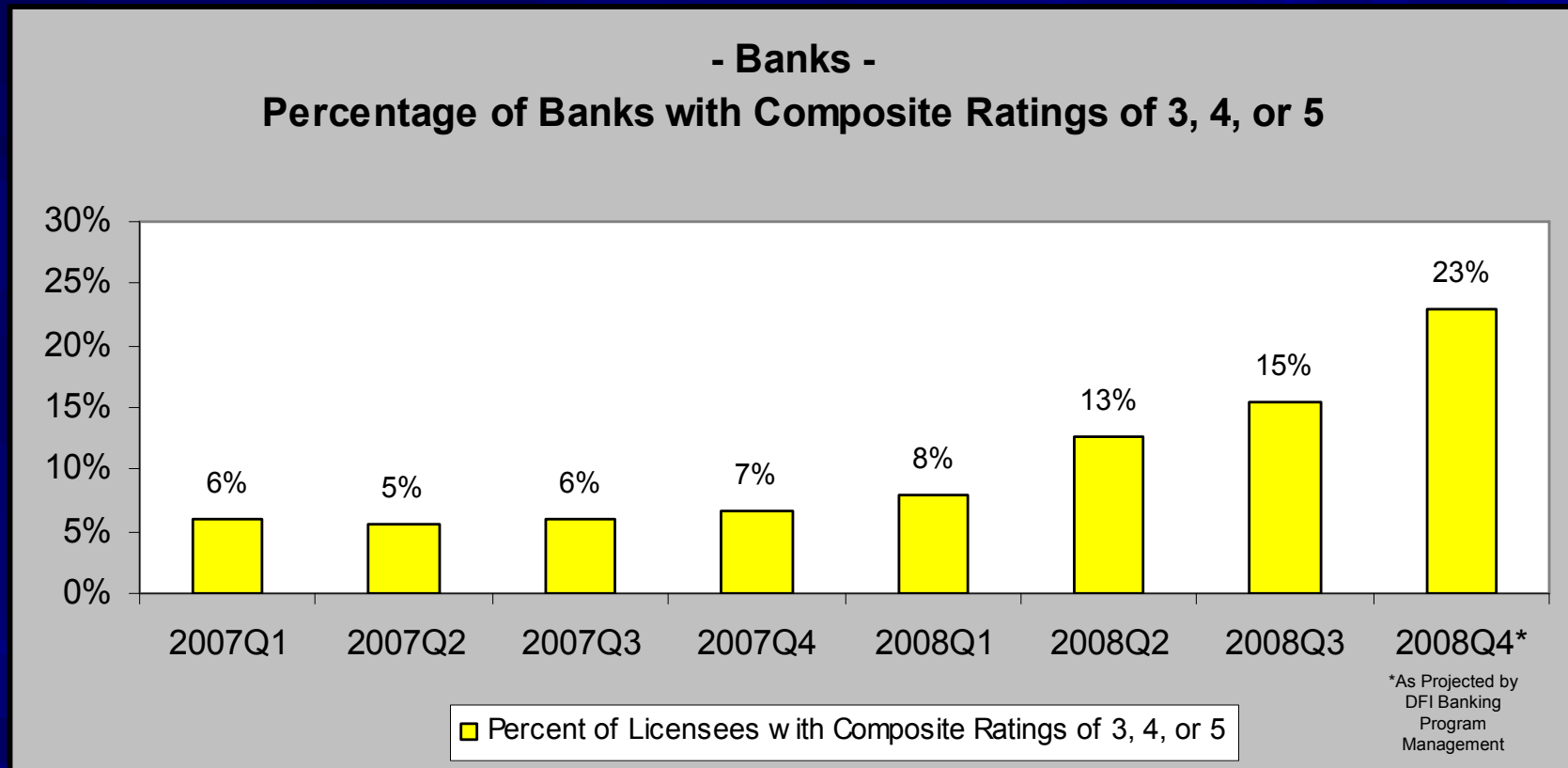
## Brokered Deposits Have Become More Popular in West



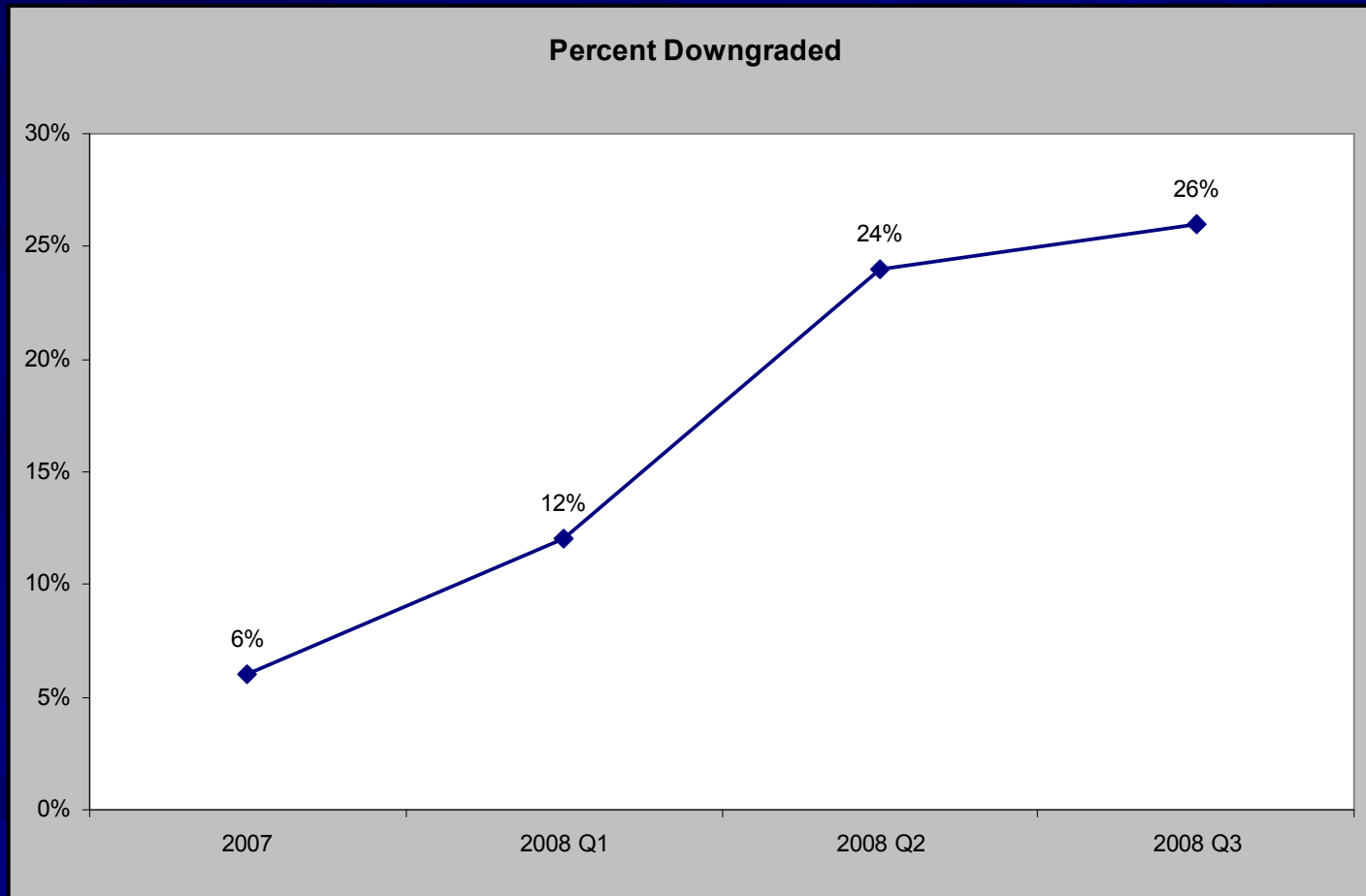
# FHLB Advances



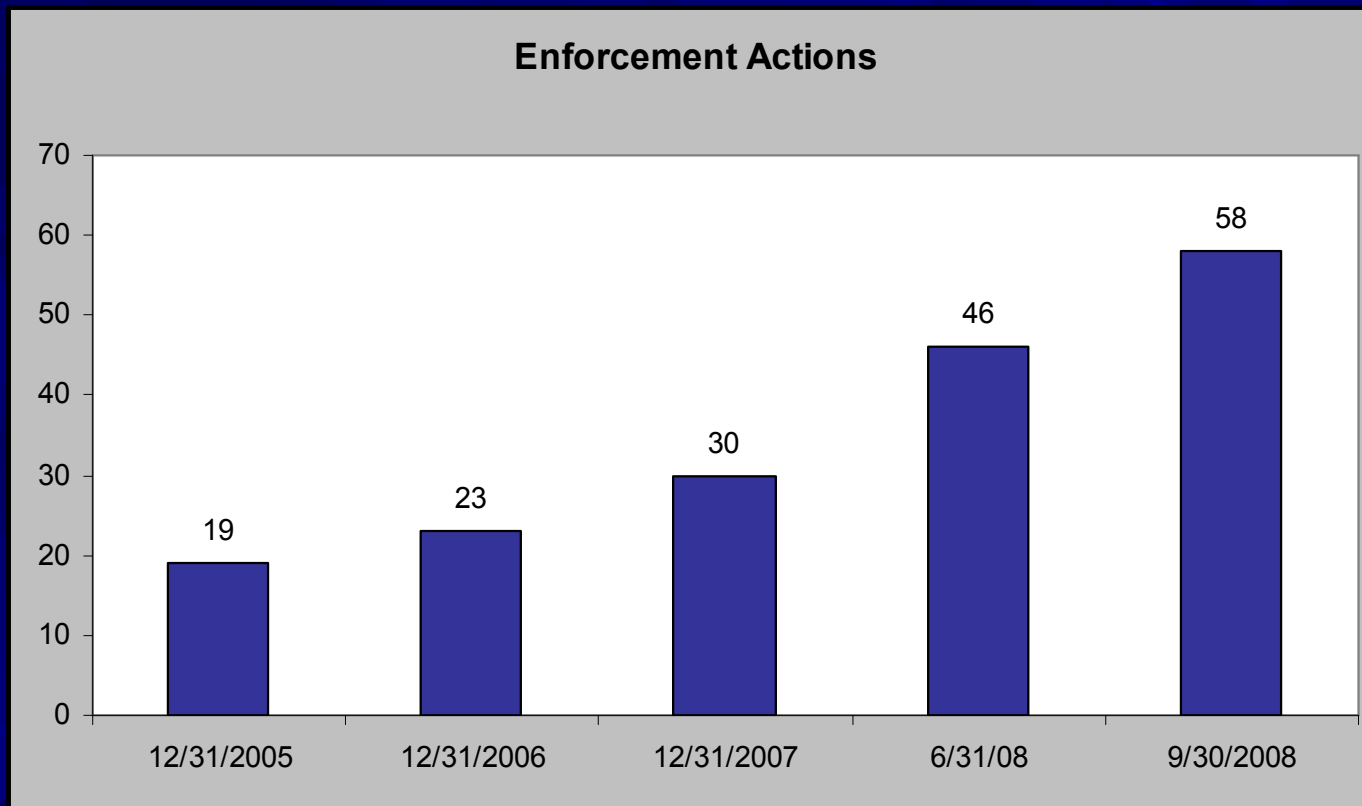
# Increase in Problem Banks



# Downgrades Accelerating



# Enforcement Actions are UP



# How are we responding?

- Risk Based Scheduling
- Statutory Exam Directive
- Longer Examination Duration
- Larger Loan Scoping – 30%, 40% up to 60% being experienced
- Loan Write-ups Necessary
- Liquidity Issues
- Capital Issues
- Some Failures likely
- Other Ideas/Issues